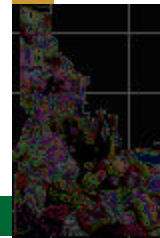


Starting a Specialty Foods Business



Marketing Idaho Food and Agriculture
Idaho State Department of Agriculture

East Central Idaho Planning & Development Association

310 N. 2nd East, Suite 115

Web Site:

Rexburg, Idaho 83440

www.ecipda.org

Phone: (208) 356-4524

E-mail:

Fax: (208) 356-4544

david.ogden@ecipda.org

Community Planning Association (COMPASS)

800 S. Industry Way, Suite 100

Web Site:

Meridian, Idaho 83642

www.compassidaho.org

Phone: (208) 885-2558

Fax: (208) 885-2559

Bear Lake Regional Commission

P.O. Box 26

Web Site:

2661 US 89

www.bearlake.org

Fish Haven, Idaho 83287

Phone: (208) 945-2333

E-mail:

Fax: (208) 945-2072

judy@dcdi.net

Financing

In addition to private sources of capital and loans through commercial lending institutions, funds are available for business development from several government sponsored programs in Idaho. Contact your area Idaho Small Business Development Center and nearest SBA office.

Revolving Loan Funds are available through Idaho's Regional Planning Organizations:

Panhandle Area Council Business Center

11100 Airport Drive
Hayden, Idaho 83835
Phone: (208) 772-0584
Fax: (208) 772-6196

E-mail:
jimd@nitlink.com

Clearwater Economic Development Assn.

1626 6th Avenue North
Lewiston, Idaho 83501
Phone: (208) 746-0015
Fax: (208) 343-4243

Web Site:
www.clearwater-eda.org
E-mail:
jlane@lewiston.com

Sage Community Resources

10624 W Executive Drive
Boise, Idaho 83713
Phone: (208) 322-7033
Fax: (208) 322-3569

Web Site:
www.sageidaho.com
E-mail:
bwilliams@sageidaho.com

Region IV Development Association

315 Falls Avenue
PO Box 5079
Twin Falls, Idaho 83303
Phone: (208) 736-3064
Fax: (208) 736-3067

Web Site:
www.rizda.org
E-mail:
ray@rizda.org

Southeast Idaho Council of Governments, Inc.

2114 E. Center
Pocatello, Idaho 83201
Phone: (208) 233-4032
Fax: (208) 233-4841

Web Site:
www.sicog.org
E-mail:
karenc@sicog.org

A Comprehensive Guide for Idaho Specialty Food Processors

Published by

Idaho State Department of Agriculture
International Trade and Domestic Market Development

PO Box 790
Boise, ID 83701-0790
Telephone: 208-332-8530
Fax: 208-334-2879
www.agri.state.id.us

**Spring 2002
V Edition**

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ISBDC

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Lewiston, Idaho 83501
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kgtarrant@lsc.edu

ISBDC

Twin Falls
College of Southern Idaho
315 Falls Avenue
P.O. Box 1238
Twin Falls, Idaho 83301
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ISBDC

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1651 Alvin Ricken Drive
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Idaho Falls
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Idaho Falls, Idaho 83401
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klabrum@boisestate.edu

ISBDC

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2407 Caldwell Blvd
Nampa, Idaho 83651
Phone: (208) 426-5705
Fax: (208) 426-4785

Web Site:
www.idbsu.com

E-mail:
klabrum@boisestate.edu

▶▶▶ Business Management

The Small Business Administration (SBA) is an independent Federal agency that provides counseling, training and financing to small businesses. A variety of free seminars and courses are offered by the SBA throughout the year, including financial analysis, record keeping, marketing and business planning. SBA also offers consulting through the SCORE (Service Corps of Retired Executives) program.

In addition, the SBA offers financing to eligible small businesses. The loans are handled by commercial lending institutions and guaranteed by the SBA.

Small Business Administration

Boise District Office
1020 W. Main, Suite 290
Boise, Idaho 83702
Phone: (208) 334-1696
Fax: (208) 334-9353

Business training and counseling services are also available from Idaho's Small Business Development Centers:

ISBDC State Office

Boise State University
College of Business and Economics
1910 University Drive
Boise, Idaho 83725
Phone: (208) 426-1640 or (800) 225-3815
Fax: (208) 426-3887

Web Site:

www.idahosbdc.org

ISBDC

Coeur d' Alene
North Idaho College
525 W. Clearwater Loop
Post Falls, Idaho 83854
Phone: (208) 769-3444
Fax: (208) 769-3223

Web Site:

www.nic.edu

Email:

cmjordan@nidc.edu

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Showcase

NASFT

120 Wall Street, 27th Floor

New York, NY 10005-4001

Phone: (800) 627-3869

Fax: (212) 482-6459

Web Site: www.nasft.org

Specialty Food Magazine

NASFT

120 Wall Street, 27th Floor

New York, NY 10005-4001

Phone: (800) 627-3869

Fax: (212) 482-6459

Web Site: www.nasft.org

Gourmet News

P.O. Box 3047

Langhorne, PA 19047-3047

Phone: (215) 788-7112

Fax: (215) 788-6887

NW Palate

P.O. Box 10860

Portland, OR 97296-0860

Phone: (503) 224-6039

Fax: (503) 222-5312

Web Site: www.nwpalate.com

E-mail: editorial@nwpalate.com

National Association for the Specialty Food Trade, Inc.

120 Wall Street, 27th Floor
New York, NY 10005-4001
Phone: (800) 627-3869
Fax: (212) 482-6459
Web Site: www.nasft.org

Association of Sales and Marketing Companies

1010 Wisconsin Ave. NW, 9th Floor
Washington, D.C. 20007
Phone: (202) 337-9351
Fax: (202) 337-4508
Web Site: www.asmc.org

Publications:**Fancy Foods**

20 N Wacker Dr., Suite 1865
Chicago, IL 60606
Phone: (312) 849-2220
Fax: (312) 849-2174
Monthly
Web Site: www.fancyfoodmagazine.com

FDM (Food Distribution Magazine)

PO Box 811768
Boca Raton, FL 33481-1768
Phone: (561) 447-0810
Fax: (561) 368-9125

Gift Basket Review

815 Haines Street
Jacksonville, FL 32206
Phone: (904) 634-1902
Fax: (904) 633-8764

The Gourmet Retailer

3301 Ponce De Leon Blvd, Suite 300
Coral Gables, FL 33134
Phone: (305) 446-3388
Fax: (305) 446-2868
Web Site: www.thegourmetretailer.com



Getting Started

You have a terrific recipe for a unique salad dressing that your family and friends have raved over for years and are now encouraging you to bottle and sell. True, everyone loves your secret recipe and it has made a nice gift on more than one occasion. Sounds simple - turn a labor of love into profit!

Don't underestimate the business and market planning that will be required in starting your specialty food business. Below is a checklist of a few questions you will encounter when deciding to enter this business:

- Where and how to make the product commercially?
- What to call your product?
- How to package and label your product so that it will appeal to your target market?
- How to price your product?
- Where to sell your product?
- Who will purchase your product?
- How to expand and increase market share?

Perhaps the most difficult and necessary question you must ask yourself...

How to fund your new enterprise?

Don't be intimidated by this list of questions. There is an abundance of information and technical advice available to you as a budding food entrepreneur. Many successful specialty food businesses have been built in Idaho in recent years from a few family-favorite recipes, quality local ingredients and a lot of hard work. It can be done - the secret to success is old-fashioned research and a commitment to quality.

In this handbook we will discuss the major issues involved in building a specialty food business in Idaho, offer some tips on how to avoid pitfalls, and provide contacts in both the public and private sector which can be resources to you as you pursue your business.

Idaho State Department of Agriculture at Your Service

The Idaho State Department of Agriculture's Marketing and Development division offers the following services to you:

- Domestic and International market information
- Trade shows
- Marketing Plan Workbook
- Vendor/Supplier library
- Promotional events
- Workshops & training on such topics as:
 - Starting a business
 - Advanced market planning
 - Personal selling
 - Tradeshow management
- Buyer contacts
- One-on-one consultations on:
 - Packaging
 - Labeling
 - Market strategies
 - Development of press releases

For more information on the Idaho State Department of Agriculture services contact the marketing staff at (208) 332-8530.

Product Development and Testing

This topic will cover the where, how and what to call your product questions. The obvious place to begin before committing resources to purchase processing equipment or leasing space in an existing facility is to research and understand consumer preferences and trends in food marketing.

professionally printed business cards. Converse with visitors, not other staff. Stand in front of or to the side of your booth. Never sit in a chair while speaking with potential customers. Establish teams and take frequent breaks. Do not expect to be effective for more than three hours at a time.

Listen:

Stop talking and listen to what the trade show visitors need. Do not assume that you know what they want. Tailor your comments around their individual needs. This is an opportunity to get honest feedback about your product.

Follow-up:

Keep a log of prospects to contact after the show. Most sales are made after the show, not during. Thus, *follow-up is essential*. Send a letter to all prospects within two weeks. In addition, make a personal phone call to those prospects with the greatest potential.

One follow-up effort is not sufficient. A study by Incomm Research of leads from trade shows found that two thirds of the actual purchases resulting from a visit to an exhibit took place 11 to 24 months after the show. The frequency of the follow-up can dramatically effect the success exhibitors obtain from a show. It is not unreasonable to conduct six or seven mailings to prospects during the first twelve months following the show.

Resources

Idaho Specialty Foods Association

P.O. Box 5231
Boise, ID 83705
Phone: (208) 433-0603

Idaho State Department of Agriculture

International Trade and Domestic Market Development
P.O. Box 790
Boise, ID 83701
Phone: (208) 332-8530
Fax: (208) 334-2879
Web Site: www.agri.state.id.us

Extreme caution should be used with cooperative advertising. Include in the agreement detailed specifics concerning ad copy, cost, placement, etc. Require copies of all billings if the retailer is buying the space. You do not want to be overcharged or left with an ad that only mentions your name in fine print at the bottom.

Trade Shows

Expositions provide ample opportunities for exhibitors to generate sales, check out the competition and research the market. Lists of potential trade shows are available in most industry magazines, trade associations and government agencies.

The Idaho State Department of Agriculture recruits processors annually for food shows and offers assistance for inexperienced exhibitors. Cooperative attendance allows shared booth space at reduced fees.

Select a show that is right for you. *Make sure the attendees represent the type of buyer you are targeting.* Consult previous show statistics such as number of attendees, who the attendees are (type of business, etc.), and their geographical spread. Contact past exhibitors to determine their success at the show.

Determine the number of trade leads you need to generate to make participation cost-effective. Estimate that 20% of your contacts at a show will result in qualified trade leads. Some trade show tips include:

Focus On Motivated Buyers:

There are generally three categories of attendees:

- Those just looking with no interest in your product
- Competitors and others interested in the product, but not interested in pushing it
- Target visitors interested in making a purchase

Qualify your buyers by asking such questions as “*Thanks for coming in, what attracted you to my booth?*” and “*We have some exciting things here. What are you looking for at the show?*”. Do not ask “*Can I help you?*” The answer will invariably be “*no*”.

Distribute your business cards rather than expensive product brochures. *Brochures do not get read.* Send serious buyers literature after the show.

Make a Good Impression:

Keep the booth area neat and uncluttered. Do not eat while in the booth. Dress professionally, smile and have a positive attitude. Hand out

Market research suggests that today's consumer is looking for quality, convenience, better nutrition and perhaps some adventure in their eating habits. Surveys of specialty food consumers, in particular, suggest that food manufacturers can capitalize on the consumer's desire for new and different tastes, uniqueness, freshness and eye catching appeal.

Processing Location

If starting small, then you most likely cannot afford the investment required to construct or retrofit a FDA-approved processing facility. There are several other options open to you depending on your location. You might be able to rent space in a local restaurant, church, school or community center kitchen. For a discussion on home-based kitchens, see the legal section of this handbook.

As your company grows, this arrangement may not be the most convenient for developing new products or expanding product lines. Other options worth checking into include co-packing or leasing space in a shared or cooperatively owned food processing facility.

Co-packing

Under a co-packing arrangement, you contract with an existing food processor, oftentimes located out-of-state, to manufacture and package your product using your recipe and your quality specifications. To ensure a successful product launch you will want to visit the processing facility and oversee initial production runs.

Shared Processing Facility

A second option - shared or cooperatively owned kitchen or processing facility - may offer you a range of services, from a simple lease of common kitchen space to an opportunity to invest in a production cooperative which enables members to pool equipment, packaging and input materials, product liability insurance, shipping costs, and even marketing and promotional expenses.

For information on co-packing and shared processing facilities, contact the Idaho State Department of Agriculture Marketing division at (208) 332-8530.

Processing Technology — Made Easier

Increasing production from a single batch to commercial scale may require some modifications to your recipe and possibly the addition of stabilizers, emulsifiers and preservatives. This does not mean that your quality or taste needs to be compromised; it simply means that adjustments may be necessary.

We recommend you seek the technical advice of qualified food technologists on the safety of your ingredients, shelf life, nutritional content and toxicology. Many of your questions can be handled over the telephone, but some require laboratory analysis. There are several privately run laboratories and registered dietitians which can assist you.

Some of the product quality and safety areas that you will need to consider include:

Microbiological

- Total bacterial count
- E. Coli
- Yeast and mold
- Staphylococcus
- Salmonella

Nutritional Content Per Serving

- Protein
- Fiber
- Fat - saturated vs. unsaturated
- Cholesterol
- Vitamins (A,C,B1,B2)
- Calcium
- Phosphorus
- Iron
- Sodium

For referrals of laboratories and food processing consultants, contact the marketing staff at the Idaho State Department of Agriculture, (208) 332-8530.

trade advertising, your choice should be evaluated as based upon:

- Reach
- Frequency
- Cost
- Editorial quality

Reach refers to *the number of target customers* that will see or hear the advertisement. Frequency is the number of times the target customer sees or hears the ad. Both are important. A customer who only hears an ad once is unlikely to remember it. In general, a frequency of 3 to 7 times is most effective.

The costs of different media can be compared by calculating “Cost per Thousand,” which is expressed as CPM. Divide the cost by reach:

$$\$40/5,000 = \$8 \text{ per thousand}$$

Produce *quality* advertisements. Spend the money to have your advertisements professionally produced. Poor quality paste-up art work is a waste of money. Many newspapers offer design services *free of charge*.

Keep your message consistent with your overall marketing strategy. In designing your ad, begin by prioritizing the points you want to make. You can't tell the whole story in one ad, so keep it simple. Emphasize the benefit that is *most important to the consumer*. An extensive amount of copy and a lot of detail are not as effective as large print surrounded by space.

Your message will also dictate your media selection. If your ad requires visual display, radio will not deliver. It is, however, still possible to create a picture with radio advertising. Do not overlook it just because you have a food product.

Timing:

To increase the effectiveness of your advertising, advertise in conjunction with other promotions such as in-store demonstrations, special tastings, etc. Coordinating advertising and promotional events will improve both efforts.

Cooperative Advertising:

You can stretch your advertising dollars by cooperating with other food processors or retailers. Look for complimentary products that are available in the same outlet to share an ad. Retailers are also looking for opportunities to reduce their advertising costs through cooperative ads with manufacturers.

You must sell the newsworthiness of your product or your success story. Simply because the story is appealing to you does not guarantee that it will be appealing to the general public. Present your story with the media's point of view in mind using action-packed, vivid, descriptive language.

Photos should generally be in black-and-white. For local media, include yourself in the photograph.

3. Follow-up with a phone call.

Make a short call to the contact person to confirm whether or not they received your information. It may not have reached them. Ask if they need more information, if they intend to publish the piece in the near future and thank them.

Sampling

The more senses you involve in your marketing strategy, the more effective your efforts will be. What better way to introduce people to your product than to stimulate the palate with a taste?

After trial, excellent products will sell themselves. You can utilize sampling at fairs, farmers' markets, holiday bazaars, shopping malls and inside stores. To get the most of sampling, select peak shopping hours when there is a great deal of traffic.

Have experienced salespeople operate the display who can interact with customers, answer questions and point out important product features. Consider offering a special price to encourage an immediate purchase.

Advertising

The amount and type of advertising you select will depend upon your audience, which media they use and your budget. It is common for specialty food companies to devote 10 to 15% of their annual budget to advertising.

You have two primary audiences you can advertise to: *the trade and consumers themselves*. There are numerous specialty food magazines directed at the trade that are excellent sources for reaching retailers, brokers and distributors.

Generally, it is more cost effective for specialty food producers to advertise to the trade rather than directly to consumers. Whether you choose consumer or

Resources

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Food Science and Toxicology
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P.O. Box 442201
Moscow, ID 83844
Phone: (208) 885-7081
Fax: (208) 885-8937

Web Site:
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E-mail:
dsmith@uidaho.edu

Sandra McCurdy

Extension Food Safety
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Phone: (208) 885-6972
Fax: (208) 885-5751

Web Site:
www.uidaho.edu/fcs

E-mail:
smccurdy@uidaho.edu

National Food Laboratory

National Food Processors Association
Diana Campo
6363 Clark Avenue
Dublin, CA 94568
Phone: (925) 828-1440
Fax: (5925) 833-8795

Web Site:
www.thenfl.com
E-mail:
lnesbett@thenfl.com

Analytical Laboratories, Inc.

1804 N. 33rd Street
Boise, Idaho 83703
Tel: (208) 342-5515

Publications

Connors Business Information

Peter Havens
201 King of Prussia Rd.
Radnor, PA 19089
Phone: (610) 964-4000
Fax: (610) 964-2915
Monthly

Web Site:
www.foodexplore.com
E-mail:
thavens@chilton.net

Food Processing

Putman Publishing Co.

Laura Baro

555 W. Pierce Rd., Suite 301

Itasaka, IL 60413

Phone: (630) 467-1300

Fax: (630) 467-1108

Food Processing's "Annual"

Putman Publishing Co.

555 W. Pierce Rd., Suite 301

Itasaka, IL 60413

Phone: (630) 467-1300

Fax: (630) 467-1108

The Guide & Directory offers nationwide sources of:

- National associations
- Federal government agencies
- Architects and engineers
- Plant sites
- Food laboratories/services
- Computer software
- Ingredient suppliers
- Equipment suppliers

Food Product Design

Weeks Publishing Co.

3400 Dundee Rd., Suite 100

Northbrook, IL 60062

Phone: (847) 559-0385

Fax: (847) 559-0389

Monthly; No charge to qualified readers

Web Site:

www.foodproductdesign.com

E-mail:

weeksfpd@aol.com

Food Technology

Institute of Food Technologists

221 N. Lasalle Street, Suite 300

Chicago, IL 60601

Phone: (312) 782-8424

Fax: (312) 782-8348

Web Site:

www.ift.org

Neck hangers or product information tags attached to the product have the potential to convey a great deal of information to consumers. Neck hangers can include recipes, more detailed product descriptions and price-off coupons. These tags are especially useful since they require no additional effort on behalf of the retailer.

Recipe booklets are especially useful for specialty foods that serve as ingredients. Novelty foods that are unfamiliar to consumers will require product use education. Recipe booklets can be attached to the product or stand on their own.

Publicity

There are numerous opportunities for receiving coverage in food magazines and local media. Many food editors are searching for new foods and companies for their articles. Most national food magazines have regular product preview columns and local success stories are of great interest to local media.

In order to capitalize on these tremendous possibilities, you must inform the media of your existence. Although there is not a charge for publicity, it is not free. *You must put effort into it.* An effective publicity campaign involves the following steps:

1. Identify media possibilities and the *person* responsible for such articles. (May be more appropriate for local media).
2. Mail a press packet.

Include in the press packet:

- a. Personalized cover letter introducing yourself
- b. Brochure, if you have one
- c. Fact sheet briefly describing the product and company history
- d. Business card
- e. Graphics including camera-ready logos
- f. News release
- g. Photos
- h. Question and answer sheets going into more detail are also helpful

Your news release should be double-spaced on nice letterhead and should be BRIEF. There is a shortage of news space available. Short releases increase your chances of coverage. If the media has more space to devote to the article, they will contact you for more information.

Food Photography

As the saying goes, "a picture is worth a thousand words." A well done photograph of your mouth-watering product looking steaming hot or freshly prepared is much more enticing than a paragraph attempting to describe the product's qualities.

Food photography and styling are special arts. Done well, they can greatly enhance your marketing efforts. Poorly done photographs, on the other hand, can greatly discourage purchases. Invest in professionals experienced in food photography. Food photography is very different from other forms of photography and requires special handling and preparation.

Before hiring, examine the prior work of both the stylist and the photographer. Talk to previous clients of the photographer to determine their level of satisfaction. Select individuals whose work you like and who you are comfortable with.

Point of Purchase Materials

As the name implies, point-of-purchase (P.O.P.) materials attract consumers' attention and educate them on the benefits and uses of the product at the point of purchase. Many retailers find P.O.P. materials useful for creating attractive displays and interest in their stores.

P.O.P. materials include:

- Table tents
- Shelf talkers
- Posters
- Neck hangers
- Recipes

Table tents are tent-shaped cards placed on tables or counters and are most often used by the restaurant and food service industry. Table tents can be utilized to convey information on menu items or daily specials.

Shelf talkers are small signs that hang underneath the product on the retail shelf. They are used extensively by grocery retailers to draw attention to the product. Shelf talkers are excellent promotional tools for new products that consumers are not purposely searching for.

Posters are most useful for in-store promotions or trade show exhibits. They may be hung in store windows or on walls but are used less frequently than other P.O.P. materials because of their size.

Food Technology's "Classified Guide to Food Industry Services"

Included in every December issue:

- Laboratory analysis
- Packaging
- Product/process development
- Management consulting
- Marketing
- Regulatory/legal consulting

Prepared Foods

1050 Illinois Route 83, Suite 2000
Bensonville, IL 60106
Phone: (630) 616-0400
Fax: (630) 227-0527
Monthly

Web Site:

www.preparedfoods.com

Prepared Foods

"Annual Buyers Guide"
1050 Illinois Route 83, Suite 2000
Bensonville, IL 60106
Phone: (630) 616-0400
Fax: (630) 227-0527

Web Site:

www.preparedfoods.com

Prepared Foods "Annual Buyers Guide" is a nationwide directory of suppliers for:

- Equipment
- Ingredients
- Packaging materials
- Instruments
- Sanitation and maintenance
- Service and supplies

Legal Issues

Health Licenses

As mentioned earlier, you are not permitted to manufacture your food product in your home kitchen unless it is completely separate from your family living space and is not used for home food preparation. Your commercial kitchen will need to meet minimum requirements spelled out in the State of Idaho's *Unicode Regulations*, which govern food sanitation standards for food establishments.

Under the Unicode, you must submit a written application for a food establishment license on forms provided by the local health district. This process will license the operator. Therefore, if you are using a facility that is already approved, you still have to obtain a license for your personal business. The *district's environmental health official must review and approve* your processing facility plans prior to retrofit and/or construction. A final inspection will be made prior to licensing. Some of the areas that will be covered in this plan review and on-site inspection include the following:

- Site plan, floor plan and mechanical plan
- Construction materials for floors, walls and ceiling
- Plumbing
- Processing equipment (domestic use equipment will normally not be approved unless the health district receives approval from the state health authorities)
- 3-compartment sinks for equipment clean-up
- Separate sink for worker sanitation
- Source and storage of ingredients
- Processing steps
- Packaging and labeling
- Quality control checks
- Food safety and sanitation training

Mandatory Supervisor Training

During food processing, at least one employee must be trained in food safety and sanitation and on duty during food preparation. For more information on your various training options, contact your nearest district health office. All

Promotion

There are many methods of communicating the existence of your product to consumers. Promotional and marketing expenses are necessary to increase sales and should be considered an investment in your business. Broad promotional categories include:

- Product literature
- Point of purchase materials
- Publicity
- Sampling
- Advertising
- Trade shows

Product Literature

There are two distinct audiences for product literature:

- The trade
- The consumer

Product literature developed for the trade is essential to your sales efforts. Sales literature is developed to educate *distributors* and their *sales staff* on the product, its benefits and uses.

Sales literature typically consists of a price list, catalog of products available and product fact sheets. Product fact sheets highlight the product's benefits and may contain testimonials, company history and notable recognitions or awards.

Literature developed for the *consumer* comes in many forms:

- Post cards
- Brochures
- Newsletters

Direct mail post cards are excellent promotional tools conveying your individualized service. If you have a mailing list of your customers, you can send them holiday cards, cards introducing a new product in your line, or special discount cards.

To develop a mailing list of buyers, we recommend you insert pre-printed cards in the food package and ask for a response. Maintaining complete records of mail order customers is essential for starting a mailing list.

II. Evaluate Special Deals

Most retailers and distributors are reluctant to carry new products due to the risks involved. Many will require special deals during the introductory stage. Special deals come in many forms. A few examples include:

- Free merchandise
- Freight allowances
- Advertising allowances
- Price discounts

Free merchandise can range from free samples to one free case with the purchase of ten. Distributors or retailers may pass the savings on to the customer by charging a lower introductory unit price. They may keep the difference to absorb the risk of new product failure.

Freight allowances are negotiated during the deal, and the processor can offer to absorb the cost of freight and ship F.O.B. (delivery point). They can also include a percentage discount for a certain quantity purchased. With this arrangement, product is shipped F.O.B. (warehouse) but the buyer is allowed to deduct the predetermined percentage from the total shipping costs.

Advertising allowances are cooperative advertising agreements where the buyer and seller share the cost of advertising in a local newspaper or on a local radio station. For payment, the retailer would deduct the allowance from the invoice.

Price discounts include quantity discounts or discounts for paying the invoice early. Discounts for early payment are expressed as:

Percentage discount, payment due date to receive discount
price, payment due date without discount.

For example: 2%, 10 days, NET 30 days means that if the invoice is paid off within 10 days the buyer will receive a 2 percent discount. Otherwise, the full amount is due within 30 days.

Evaluate your decision carefully. Only offer a special deal if it is necessary to sell the product and then only if the overall benefit outweighs the cost. Developing a long-term relationship will be difficult if you first give the product away.

food workers must also receive specified training in their area of responsibility. Once again, contact your district health office.

Food and Drug Administration Regulations

The U.S. Food and Drug Administration also regulates food manufacturers that are selling food products in interstate commerce or receiving ingredients through interstate shipment. For small sized food processors, which do not have a significant percentage of interstate sales, the FDA will contract with the State Health and Welfare Department (health districts) to inspect these facilities. To determine whether your company will fall under the FDA's jurisdiction, we recommend you contact your District Health Department.

In addition, if a processor is manufacturing an acidified food product such as salsa or pickles, FDA requires the manufacturer to complete the Better Process Control School class. Contact your local district health department for more information.

US Department of Agriculture (USDA) Regulations

If a product contains three percent or more meat products, the processor will be under USDA jurisdiction. Contact the regional office of USDA Food Safety Inspection Service at (503) 399-5831 or by mail — 530 Center Street NE, Room 405; Salem, OR 97302 for information on plant operations, inspections and other related information.

When developing a label for food products that contain three percent or more meat, your label may need to be approved by the USDA, Food Safety and Inspection Service (FSIS) through their Labeling and Additives Policy Division (LAPD). The distinctions are listed below:

Label Approval Not Necessary (Generic Label Approval):

- If the label is for a *single ingredient amenable product* that bears no special claims, nutrition facts, organic certification, guarantees, foreign language or animal production claims, it is a generic approval.
- If the label is for an *amenable multi-ingredient standardized product* and bears no special claims, nutrition facts, organic certification, guarantees, foreign language or animal production claims, the label can either be a generic approval or submitted to the Labeling Compliance Team (LCT) attached to a label application form.
- If your product qualifies for a Generic Label Approval, you do NOT have to submit your label to FSIS LAPD for approval. However, you must comply with the standards set forth by FSIS LAPD. They are outlines on the internet at www.fsis.usda.gov/oppde/larc/Generic.htm

Label Approval Necessary:

For any product that does not fit either of the above definitions, the label and an application form must be submitted to the LAPD for approval. Small processors can fax submissions of labels for evaluation, and in a documented emergency situation, labels can be evaluated the same day they are submitted. In addition, procedures have been initiated whereby small businesses who get back labels evaluated by the label evaluation staff, and who have questions about the labels, can arrange a consultative phone appointment with the labeling staff member who performed the label review. Contact the FSIS LAPD office at (202) 205-0279 or (202) 205-0623.

HACCP

Performing hazard analysis at critical control points (HACCP) is a widely accepted quality control process that is required for all types of food manufacturers.

Some key definitions to keep in mind as you begin this process:

Hazard is unacceptable contamination, survival or growth of micro-organisms of concern to safety, spoilage or unacceptable persistence of toxins in foods.

Critical control point is an operation (practice, procedure, process or location) or a step in an operation, at or by which a preventive measure can be exercised that will eliminate, prevent or minimize a hazard.

There are seven basic steps to consider in implementing this type of quality control system:

1. Diagram the process flow for each food or group of related foods being processed.
2. Evaluate the hazards associated with each point in the diagram.
3. Identify those points that are critical to product safety.
4. Determine the controls needed to manage the hazards.
5. Establish critical limits for each control measure.
6. Educate employees on how to properly follow control procedures.
7. Do not deviate from the plan unless the preceding steps are again followed with the new plan.

Experienced brokers have access to buyers that most processors lack. They are very useful for expanding sales beyond the local market.

Distributors

Distributors actually purchase your products and then sell them to retailers and other distributors. They may use brokers in addition to their own sales force. Distributors offer greater sales potential due to their established relationships with multiple retailers.

Shipping and Billing

Most specialty food companies do not pay shipping costs and quote their prices undelivered. When shipping costs are the responsibility of the buyer, processors can avoid the headache of tracking the varying shipping rates for different destinations.

The terms used in quoting prices are F.O.B. (city of warehouse) and F.O.B. (city of destination). F.O.B. stands for Free On Board. With F.O.B. (warehouse), the buyer takes title to the merchandise the moment it leaves the warehouse and is responsible for the shipping charges. With F.O.B. (destination), the buyer does not take title of the product until it reaches their destination and the seller pays for the shipping.

For example, if the warehouse is in Nampa, ID and the buyer is in Seattle, WA, prices quoted F.O.B. (Boise) indicate the buyer pays the shipping charges. For prices quoted F.O.B. (Seattle), the seller pays the freight.

After determining who will pay the shipping charges, method of transportation and method of payment must be selected. Specialty food products that are shipped in lower quantities are typically transported by U.P.S. Transportation can also be made by airmail and truck.

Alternative methods of payment include:

- Pre-paid
- C.O.D.
- 30 day account
- 60 day account

Evaluating Distribution Alternatives

I. Analyze the Market

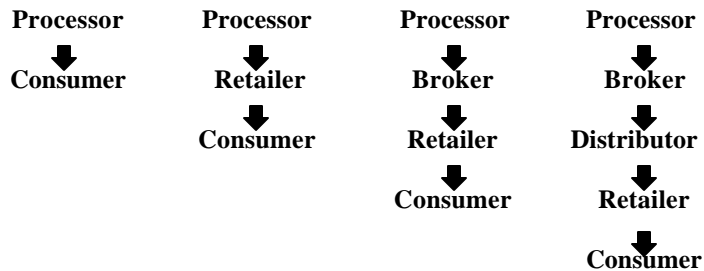
Many distributors and brokers specialize and develop a niche within the industry. Select those that reach the retailer you want.

restaurants and hospitals are not buyers of more expensive gourmet foods, upscale restaurants are. Food service can be a primary sales strategy or a useful sampling strategy for gaining consumer awareness.

Once again, your choice of an outlet depends upon the buying patterns of your particular target markets.

Distribution Methods

Once determining where you want your product available, you can select the most effective channel of distribution. Your decision will be influenced by your capability, volume, marketing support and target market. The various distribution channels are:



When selling direct, the processor has the greatest control over customer service, price, shelf placement and display. In general, as the number of intermediaries increases, sales volume increases.

Initially, in order to distribute through a retail outlet, it may be necessary for the processor to sell directly to the retailer. Attracting the attention and support of distributors and brokers can be difficult. As you build a successful track record at the retail level, your chances of securing a broker and expanding sales volume should improve. However, some retailers will not accept direct "back door" deliveries and will require the use of a broker or distributor. Determine the policies of potential retailers before approaching them with your product.

Brokers

Brokers or sales representatives (in this industry, the two are the same) are commissioned salespeople who sell your product to the trade. Brokers represent a number of different product lines and do not purchase the products they sell. Commissions range from 5 to 15% depending upon the market serviced.

Contacts

Supervisor

Food Protection Program
Idaho Department of Health & Welfare
450 West State Street
Boise, ID 83720
Phone: (208) 334-5936
Fax: (208) 334-6581

Idaho Health District Offices

Panhandle District Health Department

2195 Ironwood Court
Coeur d'Alene, ID 83814
Phone: (208) 667-3481
Fax: (208) 664-8736

Web Site:

www.fda.gov

North Central District Health Department

215 10th Street
Lewiston, ID 83501
Phone: (208) 799-3100
Fax: (208) 799-0349

Southwest District Health Department

920 Main Street
Caldwell, ID 83605-3700
Phone: (208) 455-5300
Fax: (208) 454-7722

Central District Health Department

707 N. Armstrong Place
Boise, ID 83704-0825
Phone: (208) 375-8523
Fax: (208) 327-8553

South Central District Health Department

1020 Washington Street N.
Twin Falls, ID 83301-3156
Phone: (208) 734-5900
Fax: (208) 734-9502

Southeastern District Health Department

1901 Alvin Ricken Drive
Pocatello, ID 83201
Phone: (208) 233-9080
Fax: (208) 234-7169

District Seven Health Department

P.O. Box 4776
254 "E" Street
Idaho Falls, Idaho 83402-3597
Phone: (208) 522-0310
Fax: (208) 525-7063

Food & Drug Administration (FDA)

304 N. 8th Street, Suite 441
Boise, ID 83702
Phone: (208) 334-1051
Fax: (208) 334-1053

FDA Seattle Regional Office- Phone: (425) 486-8788
Fax: (425) 483-4996
Web site: www.fda.gov

Taxpayer Identification Number

Businesses organized as a partnership, a corporation, or a sole proprietor with employees or excise tax requirements, must obtain an Employer Identification Number or E.I.N. This number is necessary when you file business tax returns.

To obtain an E.I.N. you must file a SS-4 form with the local IRS office or complete the form and call the IRS at (800) 829-3676 to receive your E.I.N. over the telephone. There is also an office in the federal building in Boise at 550 W. Fort Street, Boise, Idaho 83702, www.irs.gov.

Sales Tax Collections

As an Idaho food manufacturer, you are required to collect sales tax. If selling goods for resale to a distributor, wholesaler or retailer, however, the buyer may be exempt.

You must complete form ST-101 "Sales Tax Resale of Exemption Certificate" for *every* buyer who makes tax-exempt purchases. This form only needs to be completed once. The seller must then keep the form on file.

sensitive than specialty food store customers. Thus, price must be more competitive and advertising more extensive in order to move product. Notable challenges in grocery retail distribution include slotting and failure fees, retail shelf space and capacity.

Slotting Allowance

Grocery retailers are faced with limited shelf space and thousands of new food product introductions annually. Slotting fees are charges to processors of new products to cover the costs of adding the new product to the shelf. Slotting fees were initially introduced to cover the expense of introducing new products and then removing the many failures. The use of slotting fees varies considerably by retailer.

In some cases it is impossible to avoid paying slotting allowances for the introduction of your product. But to help decrease the cost of slotting allowances, put careful thought into your product strategy. To build a track record, start out small by selling to independent grocery stores rather than chain stores. Develop a product that consumers want, create product awareness and demand, and support the product once it is on the shelf. Retailers are less likely to discourage a product through high slotting fees that if they believe that the product will succeed.

Merchandising and Retail Shelf Placement

Even in a gourmet retail store, your product will be surrounded by other products competing for the buyer's attention. In addition to creative packaging and labeling, increased attention can be achieved through careful merchandising.

Products placed at eye level or slightly below receives more attention than below the knee or high on a shelf. Products on the ends of aisle and near the check out counter also receive more attention.

Further, more shelf facings dedicated to a product increase the exposure. One package width of product easily gets lost in the crowd, whereas one dozen rows of product are noticeable.

Convincing a retailer to increase the shelf facings of your product can be difficult. Consider expanding your product line to reach this objective.

Food Service

There is a market for gourmet specialty foods with food service companies. Although the traditional food service outlets such as schools, fast food

Placement

Product placement refers to where your target customer will purchase the product. There are several options available to specialty food producers:

- Direct from manufacturer
- Retail stores
- Food service

Direct from Manufacturer

Sales made directly to the customer include purchases at consumer fairs, holiday fairs, direct mail orders, etc. With direct sales, the manufacturer has control over pricing, customer service and presentation.

Retail

There are a variety of different retail outlets to consider, each catering to different types of patrons:

- Gift stores
- Specialty food stores
- General food stores

Gift stores range from floral shops to kitchenware retailers, hotel souvenir shops and the local Hallmark. Kitchenware stores can be excellent outlets for specialty foods being used in food preparation such as baking mixes and sauces. Floral shops, on the other hand, may be better suited for ready-to-eat foods such as chocolates and beverages. General merchandise gift stores may require very elegantly packaged and exotic items. Souvenir shops are better for the "unique, locally made" foods.

Specialty food stores target food buyers. Products only have to compete with other similar food items, unlike the gift store where food items also compete with flowers, crafts and jewelry. Retail specialty food stores have one great advantage - they are often targeted to *specific* food buyers. There are health food stores, organic food stores, gourmet stores, ethnic stores (Italian, etc.) and others, each with a different customer base.

General food stores are suitable for those processors pursuing a lower price, higher - volume strategy. General food store customers are often more price

For audit purposes, keep all of your forms for a three-year period. For more information on sales tax regulations and forms, contact the Idaho State Tax Commission, Taxpayer Assistance, (208) 334-7660.

Other Local Permits and Regulations

We encourage you to investigate other local permits and regulations that may be required by your city or county. These may include but are not limited to the following:

- Building and zoning permits
- Sewer hookup permits
- Property taxes
- Commercial and chauffeur vehicle licenses
- Business and professional licenses

Insurance

In setting up any kind of business you will need to consider several types of insurance coverage, including:

- General business liability
- Interruption and specific time element coverage
- Property/professional loss

For a food business, you also must invest in product liability. Distributors and major retail chains will require their suppliers to be covered by several hundred thousand to one million dollars worth of coverage and that the insurance certificate name them as an additional insured party.

Trademarking Your Logo

A trademark is a legal claim to the exclusive right to use a particular logo, name or other mark. The actual right is acquired by virtue of the usage of the mark in trade; registration merely puts the public on notice of the owner's claim to the exclusive right. To be registered, a mark must not be generic - it must have an element of fancifulness, uniqueness, arbitrariness or distinctiveness. You can do a trademark search at www.uspto.gov.

Trademarks may be registered under state law and, if used in interstate commerce, under Federal law. For trade marking in Idaho, you must file an "Application for Registration of Trademark – Service mark", three copies of the mark and a \$30 fee with the Secretary of State's Office: Statehouse, Room 203, Boise, Idaho 83720, Phone: (208) 334-2300; Fax: (208) 334-2282.

To obtain a federal trademark application, contact the US Department of Commerce, Patent and Trademark Office, Washington, D.C. 20231 or call (703) 308-HELP (4357) or (703) 557-INFO (4636).

Universal Product Code

The Universal Product Code or UPC is an eleven-digit numeric code used to identify a retail consumer package. The UPC symbol is read by electronic scanners at the checkout stands in most major retail stores, allowing for ease in checkout, accurate pricing and collection of sales data.

Participation in this electronic coding system is voluntary; however most major retailers require their suppliers to use the UPC on the products carried in their stores. For more information on membership details and costs (fees are based on sales volumes) we suggest you contact:

Uniform Code Council, Inc.

7887 Washington Village Drive
Suite 300
Dayton, OH 45459-8605
Phone: (937) 435-3870
Fax: (937) 435-7317

1009 Lenox Drive
Suite 202
Lawrenceville, NJ 08648-2313
Phone: (609) 620-0200
Fax: (609) 620-1200

Web Site:

www.uc-council.org

Organic Certification

The demand for organic products has grown at a record of 20% per year according to industry analysts. Not only is this creating niche markets for

vegetables, fruits and grains, but the processed food industry as well. Organic has become a value-added element of many specialty food products.

The Organic Food Protection Act of 1990 requires that all products marketed as organic must be certified. The guidelines for organic processes implementing the law were released in 1997. These guidelines limit the use of the organic label to products that are 95% certified organic. Products with 70% to 95% organic ingredients may be labeled "made with organic ingredients." Any product with less than 70% organic ingredients can only say organic in the ingredients list.

The Idaho State Department of Agriculture regulates and registers organic producers, handlers and processors in the State of Idaho. For additional information on registering as an organic processor or grower, contact the Idaho State Department of Agriculture at (208) 332-8500.

Example: Retail selling price of \$5.00, manufacturing cost of \$1.40, and shipping costs of 5 cents per unit:

Retail Level:

Retail selling price: (P)	\$5.00
Retailer's margin: (M)	40%
Retailer's Cost/unit (C)	C

Formula: $P = C / (1.00 - M)$

C=\$3.00 (purchase price of \$2.95 + 5 cents shipping and handling)

Distributor Level:

Distributor selling price: (P)	\$2.95
Distributor's margin: (M)	20%
Distributor's cost: (C)	C

Formula: $P = C / (1.00 - M)$

C=\$2.36 (purchase price of \$2.31 + 5 cents shipping and handling)

Processor Level:

Processor selling price: (P)	\$2.31
Processor's margin: (M)	M
Processor's cost: (C)	\$1.40

Formula: $P = C / (1.00 - M)$

M=39%

Remember, broker commissions generally come out of the profit margin and are not included in the cost amount. Thus, any broker commissions must be deducted from this 39% gross profit margin.

Is this margin acceptable? If not, the price to the consumer will need to be changed or your costs need to be reduced. Keep in mind, that there are limits to the price you can charge for a product without encountering stiff consumer resistance. The same is true of the low end. If a product is priced too low, consumers may perceive that it is lower quality.

Although the majority of Idaho specialty food producers do not have distributor services, distributor margins should be included in your original pricing. As you grow and add distributors, you will not want your buyers to experience significant price increases.

In addition, there are price-points where small changes in price can have a significant effect on sales. These price points are just below the even dollar amount. If your retail price is \$5.07 you may want to consider lowering it to \$4.99 or \$4.95 to create more favorable consumer perceptions of the price.

- Better taste
- Greater convenience
- Improved packaging
- Increased freshness
- Gourmet image
- Improved consistency
- Lower price
- Fat-free
- Exotic origin
- Special processing
- Unusual use
- All natural
- Hand-made
- Locally made, hometown pride

Product decisions also include presentation, such as packaging and labeling. Even though your labels require specific placement and information to meet FDA regulations, they can still be eye-appealing.

Price

The specialty food industry uses profit margins to develop prices. With this pricing strategy, the selling price less the profit margin equals cost.

Determining your costs can be complicated. Costs include ingredients, processing, packaging, labeling, marketing, shipping, trade allowances, insurance, administration, overhead and debt. The challenge arises when the product line expands and fixed costs must be split up for each product.

You begin the pricing process by determining the selling price *at the consumer level*. Like your other marketing decisions, your price must be consistent with your overall marketing strategy. Use competitor's prices as a starting point to ensure that you are in the same price range.

Next, subtract the retailer and distributor margins. Most retailers in the specialty food industry use a margin of 40%. Distributor margins are generally a minimum of 25%. Broker fees are usually deducted from the profit margin and range from 5 to 15% depending upon the type of broker used.

Kosher Certification

Any product can qualify for Kosher certification (indicated with K or U markings) if it does not violate Jewish dietary rules. These rules include:

- No mixing of dairy and meat products
- No shellfish
- No cloven hoof
- Equipment that has been used previously for a dairy or meat product must be sanitized properly before using to process any other product.
- The production must be verified by a Kosher monitoring agency or an Orthodox Jewish Rabbi.

There are 50 national certification agencies that can provide Kosher certification. Some of the local agencies include:

Shaarie Torah Congregation

920 NW 25th Avenue
Portland, OR 97210
Phone: (503) 226-6131
Fax: (503) 226-0241

E-mail:
rabbig@shaarietorah.org

Kosher Overseers Association of America, Inc.

P.O. Box 1321
Beverly Hills, CA 90213
Phone: (213) 870-0011
Fax: (213) 567-4371

Web Site:
www.kosher.org
E-mail:
ko@kosher.org

►►► Packaging & Labeling

Packaging - It Helps Sell the Product

In the food industry, packaging is as important as the product inside the container. There are several factors to consider when designing a food package and in selecting the appropriate container. Here are some key questions to ask yourself:

- Does it describe and enhance your product?
- Does it establish your brand? Does it tell the consumer what company made or packaged the product?
- Does it set your product apart from the competition and establish a niche in the marketplace?
- Will it appeal to your target consumers?
- Does it conform to federal and state laws?

Container Types and Sizes

There are a variety of containers to select from: glass, plastic, cellophane, paper, cardboard, wood and metal canisters. The type you select will depend on many variables, but at a minimum should protect your product from contamination and should enhance its best selling features.

Avoid odd sized containers when first getting started. As a general rule your container should fit and stack on standard store shelves. The selling price that best fits your market will influence the size of your container. For example, a smaller container (8 ounce jar) will likely sell faster than a larger size (16 ounce), resulting in faster repeat sales.

Tamper Resistance

Many retailers insist that food products carried in their stores are tamper resistant. These can be simple ribbons, bonnets or bows that can be integrated quite attractively into your package and label design, that when broken, indicates that the package has been opened.

Positioning

Positioning a product means creating an image for the product in the mind of the consumer. There is a great opportunity for specialty food producers to create an image that appeals to their target market. Specialty and gourmet food purchases are influenced more by emotion and image than mainstream grocery products.

Once again, select how you prefer to position your product after analyzing your customers and competitors. Products can be positioned as:

- Superior quality
- Choice of discriminating chefs
- Goodness of homemade
- Country flavor
- Upscale appeal
- Choice of the best hosts
- Made with local ingredients

An image is created through the use of the *four P's*: the product itself, package design, promotional literature, price and distribution outlets. Each of your marketing decisions in these areas must be consistent with the position you are trying to achieve. For instance, positioning your product as the “choice of discriminating chefs” but trying to place it on every retail shelf in the Northwest rather than distributing through only the finest gourmet specialty stores may be contradictory.

Product

Today's consumer has many food choices. To succeed in the food industry, *any new product must offer a significant advantage over existing products*. Small producers succeed through providing a product that is somehow different than the leading brands in that product category. Those differences can include but are not limited to:

Further describe your customers by looking at psychographic characteristics and buying behavior:

- Lifestyle
- Hobbies
- Attitudes
- Where they shop
- What media do they interact with (magazines, newspapers, internet)

The term *lifestyle* refers to how people spend their free time. Do they entertain guests at home, have a preference for formal concerts, prefer whole wheat bread over white, exercise regularly, etc. *Attitude* includes a person's commitment to health foods, concern for the environment, political views, price sensitivity, etc. By further understanding these characteristics of your customers, you can appeal to their tastes and preferences and learn how to reach them.

This information can be gathered in the following ways:

- National publications print statistics and trends regularly
- Direct mail questionnaires
- Response cards included in food package, etc.

Now you can define your market segment. This allows you to concentrate your distribution and promotional efforts to those customers most likely to make a purchase. Further, you can adjust your product, packaging and image to more fully meet their needs.

Competitor — Analysis

To determine your niche in the marketplace, thoroughly examine competitors in your product category. Small food producers cannot compete head to head with large manufacturers. Further, it is difficult to compete by copying an established product, even in the specialty foods industry. By looking at the competition, you can determine what you can do to more effectively meet the needs of your customers.

Ask yourself — Is there a need for a better tasting product or one with an improved consistency or texture? Can you improve the packaging or offer the product at a lower price? Are competitors neglecting a market segment?

Design and Printing

There are several factors to consider, based on your production budget:

- Original artwork or simple printing
- Standard or custom die
- One, two, three or four color
- Glue or pressure sensitive labels

The primary goal should be to limit initial production costs. One way to do that is to start with relatively simple and readily available stock items. Avoid ordering thousands of jars and labels, even if you are tempted by the volume discounts, until you are certain you have found the right look.

Resources:

Packaging

Reed Business Information
350 Hudson Street, 4th Floor
New York, NY 10014
Phone: (212) 519-7700
Fax: (212) 519-7780

Website::

www.cahners.com

Labeling

To help minimize mistakes and avoid having products pulled from the marketplace, it is essential for producers to take a close look at Federal label requirements.

There are three federal laws that ensure food products are properly labeled and packaged:

- The Food, Drug and Cosmetic Act
- Fair Packaging & Labeling Act
- Nutrition Label and Education Act of 1990

The Food and Drug Administration (FDA) is the primary agency charged with enforcing these laws, along with officers of the State Bureau of Weights & Measures (under the Idaho State Department of Agriculture) who are charged

with inspecting for improperly labeled quantity claims. Producers should contact these agencies to request a free label review and use them as resources.

If you are involved in interstate commerce, the following information is required on your label:

- Statement of product identity
- Net quantity
- Ingredient list
- Name and place of business
- Nutritional information (some products are exempt)

Principal Display Panel of the Food Container

Certain required statements must be placed on what is called the Principal Display Panel or PDP. The PDP portion of the label that is most likely to be seen by the consumer at the time of purchase. For food products standing on a shelf, the PDP is typically the front panel and for products stacked in a refrigerated case, the PDP is usually the top panel.

Statements required on the principal display panel include product identity or name of the food and net quantity or amount of the product.

Statement of Product Identity

An identity statement consists of the name of the food and should appear in prominent print or type. The type size should be at least one half of the size of the largest print appearing on the PDP.

Common or usual names such as "raspberry jam" or "bean soup" should be used. A descriptive or fanciful name is permitted if the nature of the food is obvious but should not be misleading. If the food is subject to a standard of identity it must bear the name specified in the standard of identity (example—dairy products). A description of the form of the food must be used if the food is sold in different forms such as sliced or unsliced, whole or halves, etc.

Statement of Net Quantity

Net quantity or amount should be *distinctly displayed on the bottom* 30% of the label on the PDP, in a line or lines parallel with the base of the container.

Select a print style that is prominent and easy to read. Letters cannot be more than 3 times as high as they are wide and lettering must contrast sufficiently with the background to be easy to read.

▶▶▶ Marketing

Marketing is the overall process of meeting customer needs. It is more than selling—it involves the development of a product that consumers want to purchase and then communicating the product's existence to purchasers. The elements of marketing are frequently referred to as the four P's:

- Product
- Price
- Place (Distribution)
- Promotion

Marketing decisions are influenced by:

- Customers
- Competitors

The Customer

The customer is your *number one priority*. Success hinges on the customer's initial and repeat purchases. In order to market a product you must analyze your customer according to their needs, the price their willing to pay and a place they want to buy it.

You cannot be all things to all people. The advantage of being involved in the specialty food business is the unique nature and variety of products. Unique specialty products appeal to unique customer segments. Therefore, do not try to sell your product to everyone.

Begin by listing the demographic characteristics of your potential customers. Demographics include:

- Residence
- Age
- Employment
- Sex
- Income
- Education
- Children

Resources

For additional information on product labeling, contact:

Idaho State Department of Agriculture

Marketing Division
(208) 332-8530

Food and Drug Administration (FDA)

Western District FDA Office

Public Affairs Specialist
9780 SW Nibus Avenue
Beaverton, OR 97008
Tel: (503) 671-9332
Fax: (503) 671-9445

For a complete explanation of federal labeling laws and Good Manufacturing Practice, the following publications are available from the Government Bookstore.

1. Title 21, CFR (Code of Federal Regulations) Parts 100-169
2. A Food Labeling Guide (\$7.00)

Government Bookstore

1305 SW 1st Avenue
Portland, OR 97201
Tel: (503) 221-6217

Minimum type size should be determined by the total area of the PDP:

Type size	Area of the PDP
1/16 inch	5 sq. inches or less
1/8 inch	more than 5 but less than 25 sq. inches
3/16 inch	more than 25 but less than 100 sq. inches
1/4 inch	more than 100 but less than 400 sq. inches
1/2 inch	more than 400 sq. inches

Only the weight of the food, not the container and wrapping, should be calculated in the net quantity. To determine net weight: subtract average weight of the empty container, lid, wrappers and packing materials from the average weight of the container when filled. Net weight should include all ingredients, including water or syrup used in packing the food.

Net weights must be stated in *both* units of the U.S. Customary System (inch-pound) and Metric measure (meter-gram). Dual declaration in both ounces and the largest whole unit (pounds/ounces or quarts/ounces) is optional.

When making conversions to metric measure, use the following formula and round the decimals *down* to prevent overstating the contents:

$$1 \text{ oz.} = 28.3495 \text{ g.}$$

Examples of proper labeling:

- Net wt 15 oz (425 g)
- Net contents 16 oz (1 lb) (453 g)
- Net wt 1 lb 8 oz (680 g)
- Net wt 1.5 lb (680 g)

Information Panel

It is not necessary for all required information to be on the "front" or Principal Display Panel. The ingredient list and name and place of business may appear on the information panel, which is the *next side to the right* of the PDP.

If, due to the package shape, there is no room immediately to the right (flat like a chocolate bar) the information panel may be on the back of the package.

Ingredient List

Ingredients must be listed in descending order or predominance by weight in type size at least 1/16th inch in height.

Always list the common or usual name rather than the scientific name. Added water is considered to be an ingredient and must be identified.

Approved chemical preservatives must be listed, using *both the common name and a statement specifying that the ingredient is a preservative*. The exact function of the preservative may also be included. Incidental additives that have no function or technical effect in the finished product need not be declared. Approved artificial food colors must also be stated by name. The *only* ingredient where “and/or” can be used is oils.

Spices and natural flavors can be declared by the common name or simply by "spices" or "natural flavors". Other than that, all components of ingredients must be specifically listed.

Name and Place of Business

The name and place of business of the manufacturer, packer or distributor must appear next to the ingredients statement in type size at least 1/16th inch high. The street address must appear unless it can be readily found in some public document such as a telephone book or city directory.

Nutritional Labeling

Nutritional information is required on all food products with the following exceptions:

- Restaurant and deli foods
- Infant formula
- Medical foods
- Bulk foods intended for repackaging
- Foods that contain insignificant amounts of nutrients, such as spice blends and coffee
- Low-volume products bearing no nutritional claims

Low-volume food products may be exempted from nutritional labeling requirements, if they meet all of the following criteria:

1. The product provides no nutrition information and makes no NLEA defined claims.
2. The firm claiming the exemption has less than the equivalent of 100 full-time employees.

3. During the previous 12 months, less than 100,000 units were sold or it is anticipated that less than 100,000 units will be sold during the period for which an exemption is claimed.
4. The exemption must be claimed prior to the period for which it is to apply.
5. If, after filing an exemption, either the number of employees or volume of product sold annually increase and your exempt status is lost, then you would have 18 months to bring your label into compliance with the nutrition labeling requirements.

For each product, a company must apply to FDA annually to obtain the small business exemption unless the company employs less than ten full-time employees and the product has sales of less than 10,000 units per year. Contact the Food and Drug Administration (FDA) to obtain a Small Business Food Labeling Exemption form. Phone: (503) 671-9332; Fax: (503) 671-9445.

If nutritional information is provided, it must follow a defined format and include specified nutrients. The nutritional panel may vary according to the size of the package. Foods sold in very small packaging (less than 12 square inches of total available labeling space) may omit the nutritional label but must include a statement and address where nutrition information can be obtained. If a nutrient content claim is made, such as "low fat" or "reduced calories", a nutritional panel is required to support that claim, regardless of product sales volume. The following terms on the label must meet FDA definitions:

Healthy	Free	Less
High	More	Low
Good Source	Light	Reduced
Fewer	Lean, Extra Lean	

No statements or symbols are allowed that imply unauthorized nutrient claims. This includes heart vignettes that may imply "healthy," unless the vignette is clearly used in another context.

Nutrition labeling on retail bulk foods is also required. Prominently displayed nutritional information on raw fruits, vegetables and seafood at the point of sale is voluntary.